

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF PILOT OAK	)	
WATER SUPPLY FOR AN ADJUSTMENT	)	
OF RATES PURSUANT TO THE AL-	)	CASE NO. 8639
TERNATIVE PROCEDURE FOR SMALL	)	
UTILITIES	)	

O R D E R

On September 2, 1982, the Pilot Oak Water Supply ("Pilot Oak") filed an application with the Commission to increase its water rates pursuant to 807 KAR 5:076. This regulation allows utilities with 400 or fewer customers or \$200,000 or less gross annual revenues to use the alternative filing method in order to minimize the necessity for formal hearings, to reduce the filing requirements, and to shorten the time between the application and the Commission's final Order. This procedure minimizes rate case expenses to the utility and, therefore, results in lower rates to the ratepayers.

Pilot Oak requested rates which would produce an annual increase of \$1,152 from its 48 customers. In this Order, the Commission has allowed the requested rates. There were no intervenors in this matter and no protests were entered. All information requested by the Commission has been filed.

### TEST PERIOD

In order to evaluate the reasonableness of the proposed rates, Pilot Oak has proposed and the Commission has accepted the 12-month period ending December 31, 1981, as the test period in this case.

### REVENUES AND EXPENSES

Pilot Oak proposed one pro forma adjustment to its test period expenses. This adjustment is for the purpose of increasing the owner/manager's salary. The Commission, after giving consideration to salaries being paid to managers of similarly-sized water utilities under its jurisdiction, is of the opinion that \$150 per month is sufficient compensation for these services, and has allowed \$1,800 to be included in test year operations for rate-making purposes.

Pilot Oak included depreciation expense of \$736 at a composite rate of 6.6 percent of gross plant of \$11,150<sup>1/</sup>. The Commission, after evaluating the useful lives of the utility property, has recomputed depreciation expense using a composite rate of 3.5 percent, and has allowed \$390 to be included in test year operations.

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<sup>1/</sup> Page 2, line 13, of Pilot Oak's Annual Report for the year 1981.

Therefore, Pilot Oak's adjusted test period operations are as follows:

Operating Revenues	\$2,903
Operating Expenses	<u>3,538</u>
Operating Loss	<u>\$ 635</u>

#### REVENUE REQUIREMENTS

The Commission is of the opinion that the operating loss is unfair, unjust and unreasonable. Further, the Commission is of the opinion that the proposed rate should be approved as the additional revenues of \$1,152 generated by the proposed rate will improve Pilot Oak's financial position.

#### SUMMARY

The Commission, after careful consideration of the evidence of record and being advised, is of the opinion and finds that:

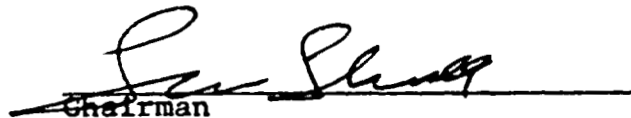
(1) The rate in Appendix A is the fair, just and reasonable rate to be charged for water service rendered by Pilot Oak in that it should improve Pilot Oak's financial position.

IT IS THEREFORE ORDERED that Pilot Oak be and it hereby is authorized to place into effect the rate in Appendix A for service rendered on and after the date of this Order.

IT IS FURTHER ORDERED that within 30 days of the date of this Order, Pilot Oak shall file with this Commission its revised tariff sheets setting out the rate approved herein.

Done at Frankfort, Kentucky, this 28th day of October, 1982.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

\_\_\_\_\_  
Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC  
SERVICE COMMISSION IN CASE NO. 8639  
DATED 28th day of October, 1982.

The following rate is prescribed for all customers served by Pilot Oak Water Supply. All other rates and charges not specifically mentioned herein shall remain the same as those in effect prior to the date of this Order.

Customer Category

Monthly Rate

Single-Family Residential

\$7.00 per residence